



HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2005
OF THE CONDITION AND AFFAIRS OF THE

MCARE, INC.

NAIC Group Code

3414

3414

(Current)

(Prior)

NAIC Company Code

95449

Employer's ID Number

38-2649504

Organized under the Laws of, State of Domicile or Port of Entry

Michigan

Country of Domicile

United States of America

Licensed as business type:

Health Maintenance Organization

Is HMO Federally Qualified? Yes [X] No []

Incorporated/Organized

01/01/1986

Commenced Business

10/01/1986

Statutory Home Office

2301 Commonwealth Blvd.

(Street and Number)

Ann Arbor , MI 48105

(City or Town, State and Zip Code)

Main Administrative Office

2301 Commonwealth Blvd.

(Street and Number)

Ann Arbor , MI 48105

(City or Town, State and Zip Code)

734-747-8700

(Area Code) (Telephone Number)

Mail Address

2301 Commonwealth Blvd.

(Street and Number or P.O. Box)

Ann Arbor , MI 48105

(City or Town, State and Zip Code)

Primary Location of Books and Records

2301 Commonwealth Blvd.

(Street and Number)

Ann Arbor , MI 48105

(City or Town, State and Zip Code)

734-747-8700

(Area Code) (Telephone Number)

Internet Website Address

www.mcare.net

Statutory Statement Contact

Susan M Agnew

(Name)

734-332-2500

(Area Code) (Telephone Number)

sagnew@umich.edu

(E-mail Address)

734-332-2177

(FAX Number)

Policyowner Relations Contact

2301 Commonwealth Blvd.

(Street and Number)

Ann Arbor , MI 48105

(City or Town, State and Zip Code)

734-913-2211

(Area Code) (Telephone Number)

OFFICERS

President

Zelda Geyer-Sylvia

Treasurer

Douglas L. Strong

Actuary

Gregory A. Hawkins

OTHER

DIRECTORS OR TRUSTEES

James R. Dietz	Zelda Geyer-Sylvia	Sally Joy
Robert P. Kelch M.D.	Jean M. Malouin M.D.	Richard C. Petrocelli
Timothy P. Slottow	Douglas L. Strong	Miriam M. Weininger
James O. Woollicroft M.D.	Darrell A. Campbell Jr., M.D.	

State of

Michigan

County of

Washtenaw

SS:

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Zelda Geyer-Sylvia

President

Douglas L. Strong

Treasurer

Subscribed and sworn to before me this day of

a. Is this an original filing? Yes [X] No []

b. If no,

1. State the amendment number.....

2. Date filed

3. Number of pages attached.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D)	1, 143, 725		1, 143, 725	10, 866, 289
2. Stocks (Schedule D):				
2.1 Preferred stocks			0	0
2.2 Common stocks	54, 354, 184		54, 354, 184	38, 654, 593
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens			0	0
3.2 Other than first liens			0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ encumbrances)			0	0
4.2 Properties held for the production of income (less \$ encumbrances)			0	0
4.3 Properties held for sale (less \$ encumbrances)			0	0
5. Cash (\$(3, 427, 836) , Schedule E - Part 1), cash equivalents (\$11, 426, 604 , Schedule E - Part 2) and short-term investments (\$55, 552, 511 , Schedule DA)	63, 551, 279		63, 551, 279	75, 888, 030
6. Contract loans, (including \$ premium notes)			0	0
7. Other invested assets (Schedule BA)	2, 036, 712		2, 036, 712	2, 058, 471
8. Receivables for securities			0	0
9. Aggregate write-ins for invested assets	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	121, 085, 900	0	121, 085, 900	127, 467, 383
11. Title plants less \$ charged off (for Title insurers only)			0	
12. Investment income due and accrued	657, 744		657, 744	466, 059
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	3, 697, 561	59, 026	3, 638, 535	1, 545, 630
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ earned but unbilled premiums)			0	0
13.3 Accrued retrospective premiums			0	0
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers			0	0
14.2 Funds held by or deposited with reinsured companies			0	0
14.3 Other amounts receivable under reinsurance contracts			0	0
15. Amounts receivable relating to uninsured plans			0	0
16.1 Current federal and foreign income tax recoverable and interest thereon			0	0
16.2 Net deferred tax asset			0	0
17. Guaranty funds receivable or on deposit			0	0
18. Electronic data processing equipment and software	4, 315, 308	3, 739, 740	575, 568	537, 764
19. Furniture and equipment, including health care delivery assets (\$)	253, 839	253, 839	0	0
20. Net adjustment in assets and liabilities due to foreign exchange rates			0	0
21. Receivables from parent, subsidiaries and affiliates	341, 866		341, 866	1, 538, 747
22. Health care (\$) and other amounts receivable			0	0
23. Aggregate write-ins for other than invested assets	6, 429, 365	6, 429, 365	0	0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	136, 781, 583	10, 481, 970	126, 299, 613	131, 555, 583
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
26. Total (Lines 24 and 25)	136, 781, 583	10, 481, 970	126, 299, 613	131, 555, 583
DETAILS OF WRITE-INS				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0	0
2301. Improvements in Progress			0	0
2302. Leasehold improvements	636, 741	636, 741	0	0
2303. Prepaid Expenses	5, 792, 624	5, 792, 624	0	0
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	6, 429, 365	6, 429, 365	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$0 reinsurance ceded)	35,008,751		35,008,751	36,223,374
2. Accrued medical incentive pool and bonus amounts	10,843,572		10,843,572	20,605,727
3. Unpaid claims adjustment expenses.....	908,833		908,833	1,113,320
4. Aggregate health policy reserves.....	0		0	0
5. Aggregate life policy reserves.....			0	0
6. Property/casualty unearned premium reserves.....			0	0
7. Aggregate health claim reserves.....			0	0
8. Premiums received in advance.....	8,342,929		8,342,929	7,343,009
9. General expenses due or accrued.....	4,060,811		4,060,811	3,778,673
10.1 Current federal and foreign income tax payable and interest thereon (including \$ on realized capital gains (losses))			0	0
10.2 Net deferred tax liability.....			0	0
11. Ceded reinsurance premiums payable.....			0	0
12. Amounts withheld or retained for the account of others.....			0	0
13. Remittance and items not allocated.....			0	0
14. Borrowed money (including \$ current) and interest thereon \$ (including \$ current).....			0	0
15. Amounts due to parent, subsidiaries and affiliates.....			0	0
16. Payable for securities.....			0	0
17. Funds held under reinsurance treaties (with \$ authorized reinsurers and \$0 unauthorized reinsurers).....			0	0
18. Reinsurance in unauthorized companies.....			0	0
19. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
20. Liability for amounts held under uninsured accident and health plans.....			0	0
21. Aggregate write-ins for other liabilities (including \$ current).....	0	0	0	0
22. Total liabilities (Lines 1 to 21).....	59,164,896	0	59,164,896	69,064,103
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX	0	
27. Surplus notes.....	XXX	XXX	2,831,446	3,831,446
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	64,303,271	58,660,034
30. Less treasury stock, at cost:				
30.1 shares common (value included in Line 24 \$).....	XXX	XXX		
30.2 shares preferred (value included in Line 25 \$).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 29 minus Line 30).....	XXX	XXX	67,134,717	62,491,480
32. Total liabilities, capital and surplus (Lines 22 and 31)	XXX	XXX	126,299,613	131,555,583
DETAILS OF WRITE-INS				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198)(Line 21 above)	0	0	0	0
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898)(Line 28 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	2,172,484	2,191,203
2. Net premium income (including \$ non-health premium income)	XXX	462,248,418	438,578,950
3. Change in unearned premium reserves and reserve for rate credits	XXX	0	0
4. Fee-for-service (net of \$ medical expenses)	XXX	0	0
5. Risk revenue	XXX	0	0
6. Aggregate write-ins for other health care related revenues	XXX	0	0
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	462,248,418	438,578,950
Hospital and Medical:			
9. Hospital/medical benefits	0	325,876,052	298,428,907
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area		2,837,327	2,823,779
13. Prescription drugs		59,109,949	51,485,910
14. Aggregate write-ins for other hospital and medical	0	25,453,331	28,350,750
15. Incentive pool, withhold adjustments, and bonus amounts		4,504,671	16,660,103
16. Subtotal (Lines 9 to 15)	0	417,781,330	397,749,449
Less:			
17. Net reinsurance recoveries			
18. Total hospital and medical (Lines 16 minus 17)	0	417,781,330	397,749,449
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$1,662,004 cost containment expenses		3,052,885	2,817,198
21. General administrative expenses		30,811,458	29,806,530
22. Increase in reserves for life and accident and health contracts (including \$ increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22).....	0	451,645,673	430,373,177
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	10,602,745	8,205,773
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		4,109,840	2,035,178
26. Net realized capital gains (losses) less capital gains tax of \$		260,574	531,474
27. Net investment gains (losses) (Lines 25 plus 26)	0	4,370,414	2,566,652
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$) (amount charged off \$)]			
29. Aggregate write-ins for other income or expenses	0	0	(411,205)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	14,973,159	10,361,220
31. Federal and foreign income taxes incurred	XXX		
32. Net income (loss) (Lines 30 minus 31)	XXX	14,973,159	10,361,220
DETAILS OF WRITE-INS			
0601.	XXX		
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above)	XXX	0	0
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above)	XXX	0	0
1401. Durable Medical Equip and Other		15,446,849	18,680,564
1402. Mental Health		10,006,482	9,670,186
1403. Reinsurance			0
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above)	0	25,453,331	28,350,750
2901. Interest Expense on Note Payable			(411,205)
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above)	0	0	(411,205)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT:		
33. Capital and surplus prior reporting year.....	62,491,476	51,487,412
GAINS AND LOSSES TO CAPITAL & SURPLUS:		
34. Net income or (loss) from Line 32	14,973,159	10,361,220
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$	2,985,047	1,295,786
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(5,314,965)	(144,162)
40. Change in unauthorized reinsurance	0	0
41. Change in treasury stock	0	0
42. Change in surplus notes	(1,000,000)	(500,000)
43. Cumulative effect of changes in accounting principles.....		(8,780)
44. Capital Changes:		
44.1 Paid in	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in	0	0
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital	(7,000,000)	
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus	0	0
48. Net change in capital & surplus (Lines 34 to 47)	4,643,241	11,004,064
49. Capital and surplus end of reporting period (Line 33 plus 48)	67,134,717	62,491,476
DETAILS OF WRITE-INS		
4701. 0	0	0
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	461,147,068	438,620,570
2. Net investment income	3,920,628	1,873,678
3. Miscellaneous income	0	0
4. Total (Lines 1 through 3)	465,067,696	440,494,248
5. Benefit and loss related payments	428,758,108	408,432,317
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	34,456,452	34,299,943
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) \$ net of tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	463,214,560	442,732,260
11. Net cash from operations (Line 4 minus Line 10)	1,853,136	(2,238,012)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	153,798	14,457,701
12.2 Stocks	9,847,905	15,769,321
12.3 Mortgage loans	0	0
12.4 Real estate	0	0
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	0	0
12.7 Miscellaneous proceeds	581,810	395,385
12.8 Total investment proceeds (Lines 12.1 to 12.7)	10,583,513	30,622,407
13. Cost of investments acquired (long-term only):		
13.1 Bonds	328,868	1,591,581
13.2 Stocks	12,898,951	38,962,679
13.3 Mortgage loans	0	0
13.4 Real estate	0	0
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	67,821	0
13.7 Total investments acquired (Lines 13.1 to 13.6)	13,295,640	40,554,260
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	(2,712,127)	(9,931,853)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	(1,000,000)	(500,000)
16.2 Capital and paid in surplus, less treasury stock	(7,000,000)	0
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities	0	0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(3,477,760)	(1,639,826)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(11,477,760)	(2,139,826)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	(12,336,751)	(14,309,691)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	75,888,030	90,197,721
19.2 End of year (Line 18 plus Line 19.1)	63,551,279	75,888,030

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS (Gain and Loss Exhibit)

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-term Care	Other Health	Other Non-Health
1. Net premium income	462,248,418	440,561,420				21,686,998							
2. Change in unearned premium reserves and reserve for rate credit	0												
3. Fee-for-service (net of \$ medical expenses)	0												XXX
4. Risk revenue	0												XXX
5. Aggregate write-ins for other health care related revenues	0	0	0	0	0	0	0	0	0	0	0	0	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	462,248,418	440,561,420	0	0	0	21,686,998	0	0	0	0	0	0	0
8. Hospital/medical benefits	325,876,052	310,176,627				15,699,425							XXX
9. Other professional services	0												XXX
10. Outside referrals	0												XXX
11. Emergency room and out-of-area	2,837,327	2,837,327											XXX
12. Prescription drugs	59,109,949	54,915,878				4,194,071							XXX
13. Aggregate write-ins for other hospital and medical	25,453,331	25,312,556	0	0	0	140,775	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts	4,504,671	4,504,671											XXX
15. Subtotal (Lines 8 to 14)	417,781,330	397,747,059	0	0	0	20,034,271	0	0	0	0	0	0	XXX
16. Net reinsurance recoveries	0												XXX
17. Total medical and hospital (Lines 15 minus 16)	417,781,330	397,747,059	0	0	0	20,034,271	0	0	0	0	0	0	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
19. Claims adjustment expenses including \$ cost containment expenses	3,052,885	3,052,885											
20. General administrative expenses	30,811,458	29,217,464				1,593,994							
21. Increase in reserves for accident and health contracts	0												XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	451,645,673	430,017,408	0	0	0	21,628,265	0	0	0	0	0	0	0
24. Total underwriting gain or (loss) (Line 7 minus Line 23)	10,602,745	10,544,012	0	0	0	58,733	0	0	0	0	0	0	0
DETAILS OF WRITE-INS													
0501.													XXX
0502.													XXX
0503.													XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0	0	0	0	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Direct Medical	15,446,849	15,306,074				140,775							XXX
1302. Mental Health	10,006,482	10,006,482											XXX
1303.													XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above)	25,453,331	25,312,556	0	0	0	140,775	0	0	0	0	0	0	XXX

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

	1	2	3	4
Line of Business	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)	462,702,251		453,833	462,248,418
2. Medicare Supplement				0
3. Dental only				0
4. Vision only				0
5. Federal Employees Health Benefits Plan				0
6. Title XVIII - Medicare	0			0
7. Title XIX - Medicaid	0			0
8. Stop loss				0
9. Disability income				0
10. Long-term care				0
11. Other health				0
12. Health subtotal (Lines 1 through 11)	462,702,251	0	453,833	462,248,418
13. Life	0			0
14. Property/casualty	0			0
15. Totals (Lines 12 to 14)	462,702,251	0	453,833	462,248,418

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	414,695,769	406,888,044				7,785,723	22,002						
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	414,695,769	406,888,044	0	0	0	7,785,723	22,002	0	0	0	0	0	0
2. Paid medical incentive pools and bonuses	14,266,826	14,266,826											
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	35,917,584	34,688,115	0	0	0	1,229,469	0	0	0	0	0	0	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
3.4 Net	35,917,584	34,688,115	0	0	0	1,229,469	0	0	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct	0												
4.2 Reinsurance assumed	0												
4.3 Reinsurance ceded	0												
4.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	10,843,572	10,843,572											
6. Net healthcare receivables (a)	0												
7. Amounts recoverable from reinsurers December 31, current year	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	37,336,694	36,926,047	0	0	0	346,920	63,727	0	0	0	0	0	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
8.4 Net	37,336,694	36,926,047	0	0	0	346,920	63,727	0	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct	0												
9.2 Reinsurance assumed	0												
9.3 Reinsurance ceded	0												
9.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	20,605,727	20,605,727											
11. Amounts recoverable from reinsurers December 31, prior year	0												
12. Incurred Benefits:													
12.1 Direct	413,276,659	404,650,112	0	0	0	8,668,272	(41,725)	0	0	0	0	0	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net	413,276,659	404,650,112	0	0	0	8,668,272	(41,725)	0	0	0	0	0	0
13. Incurred medical incentive pools and bonuses	4,504,671	4,504,671	0	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct	9,371,769	9,371,769											
1.2 Reinsurance assumed	0												
1.3 Reinsurance ceded	0												
1.4 Net	9,371,769	9,371,769	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but Unreported:													
2.1 Direct	26,545,815	25,316,346				1,229,469							
2.2 Reinsurance assumed	0												
2.3 Reinsurance ceded	0												
2.4 Net	26,545,815	25,316,346	0	0	0	1,229,469	0	0	0	0	0	0	0
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct	0												
3.2 Reinsurance assumed	0												
3.3 Reinsurance ceded	0												
3.4 Net	0	0	0	0	0	0	0	0	0	0	0	0	0
4. TOTALS:													
4.1 Direct	35,917,584	34,688,115	0	0	0	1,229,469	0	0	0	0	0	0	0
4.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net	35,917,584	34,688,115	0	0	0	1,229,469	0	0	0	0	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	37,366,962	369,521,082	204,330	34,483,785	37,571,292	36,926,047
2. Medicare Supplement					0	
3. Dental Only					0	
4. Vision Only					0	
5. Federal Employees Health Benefits Plan	203,700	7,582,023		1,229,469	203,700	346,920
6. Title XVIII - Medicare	22,002				22,002	63,727
7. Title XIX - Medicaid					0	
8. Other health					0	
9. Health subtotal (Lines 1 to 8)	37,592,664	377,103,105	204,330	35,713,254	37,796,994	37,336,694
10. Healthcare receivables (a)					0	
11. Other non-health					0	
12. Medical incentive pools and bonus amounts	14,266,826		3,436,269	7,407,303	17,703,095	20,605,727
13. Totals (Lines 9 - 10 + 11 + 12)	51,859,490	377,103,105	3,640,599	43,120,557	55,500,089	57,942,421

(a) Excludes \$ loans or advances to providers not yet expensed.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior					25,530	(715)	0	0	
2.	2001					106,376	18,962	373		
3.	2002					XXX	278,390	31,520	119	
4.	2003					XXX	XXX	293,806	27,732	1,419
5.	2004					XXX	XXX	XXX	347,527	35,948
6.	2005					XXX	XXX	XXX	XXX	369,521

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior					0	0	0	0	
2.	2001					132,013	0	0		
3.	2002					XXX	313,294	0		
4.	2003					XXX	XXX	323,539		
5.	2004					XXX	XXX	XXX	375,938	645
6.	2005					XXX	XXX	XXX	XXX	404,005

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2001	304,721			0.0	0	0.0			0	0.0
2.	2002	362,183			0.0	0	0.0			0	0.0
3.	2003	390,098	1,419		0.0	1,419	0.4			1,419	0.4
4.	2004	419,067	35,948		0.0	35,948	8.6	204		36,152	8.6
5.	2005	441,613	369,521		0.0	369,521	83.7	44,419	909	414,849	93.9

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	513	0	0	0	
2.	2001	3,741	852	0		
3.	2002	XXX	7,220	2,482	0	
4.	2003	XXX	XXX	9,061	177	
5.	2004	XXX	XXX	XXX	7,072	204
6.	2005	XXX	XXX	XXX	XXX	7,582

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	0	0	0	0	
2.	2001	5,119	0	0		
3.	2002	XXX	7,523	0		
4.	2003	XXX	XXX	11,653		
5.	2004	XXX	XXX	XXX	7,170	(143)
6.	2005	XXX	XXX	XXX	XXX	8,811

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2001	10,371			0.0	0	0.0			0	0.0
2. 2002	17,583			0.0	0	0.0			0	0.0
3. 2003	21,611			0.0	0	0.0			0	0.0
4. 2004	19,512	204		0.0	204	1.0			204	1.0
5. 2005	20,635	7,582		0.0	7,582	36.7	1,229		8,811	42.7

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Title XVIII

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior					14,196	(448)	0	0	
2.	2001					87,616	18,337	135		
3.	2002					XXX	91,130	16,827	0	
4.	2003					XXX	XXX	58,135	5,346	22
5.	2004					XXX	XXX	XXX		
6.	2005					XXX	XXX	XXX	XXX	

Section B - Incurred Health Claims - Title XVIII

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior					0	0	0	0	
2.	2001					111,047	0	0		
3.	2002					XXX	104,819	0		
4.	2003					XXX	XXX	58,422		(42)
5.	2004					XXX	XXX	XXX		
6.	2005					XXX	XXX	XXX	XXX	

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Title XVIII

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2001	151,369			0.0	0	0.0			0	0.0
2.	2002	85,291			0.0	0	0.0			0	0.0
3.	2003	46,311	22		0.0	22	0.0			22	0.0
4.	2004	0			0.0	0	0.0			0	0.0
5.	2005	0			0.0	0	0.0			0	0.0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Section A - Paid Health Claims - Grand Total						
Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	40,239	(1,163)	0	0	0
2.	2001	197,733	38,151	508	0	0
3.	2002	XXX	376,740	50,829	119	0
4.	2003	XXX	XXX	361,002	33,255	1,441
5.	2004	XXX	XXX	XXX	354,599	36,152
6.	2005	XXX	XXX	XXX	XXX	377,103

Section B - Incurred Health Claims - Grand Total						
Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2001	2 2002	3 2003	4 2004	5 2005
1.	Prior	0	0	0	0	0
2.	2001	248,179	0	0	0	0
3.	2002	XXX	425,636	0	0	0
4.	2003	XXX	XXX	393,614	0	(42)
5.	2004	XXX	XXX	XXX	383,108	502
6.	2005	XXX	XXX	XXX	XXX	412,816

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total										
Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payment	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2001	466,461	0	0	0.0	0	0.0	0	0	0	0.0
2. 2002	465,057	0	0	0.0	0	0.0	0	0	0	0.0
3. 2003	458,020	1,441	0	0.0	1,441	0.3	0	0	1,441	0.3
4. 2004	438,579	36,152	0	0.0	36,152	8.2	204	0	36,356	8.3
5. 2005	462,248	377,103	0	0.0	377,103	81.6	45,648	909	423,660	91.7

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9	10	11	12
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other
1. Unearned premium reserves												
2. Additional policy reserves (a)												
3. Reserve for future contingent benefits												
4. Reserve for rate credits or experience rating refunds (including \$) for investment income												
5. Aggregate write-ins for other policy reserves ...												
6. Totals (Gross)												
7. Reinsurance ceded												
8. Totals (Net)(Page 3, Line 4)												
9. Present value of amounts not yet due on claims												
10. Reserve for future contingent benefits												
11. Aggregate write-ins for other claim reserves ...												
12. Totals (gross)												
13. Reinsurance ceded												
14. Totals (Net)(Page 3, Line 7)												
DETAILS OF WRITE-INS												
0501.												
0502.												
0503.												
0598. Summary of remaining write-ins for Line 5 from overflow page.....												
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)												
1101.												
1102.												
1103.												
1198. Summary of remaining write-ins for Line 11 from overflow page												
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)												

(a) Includes \$ premium deficiency reserve.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Claim Adjustment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$3,195,539 for occupancy of own building)			3,146,617		3,146,617
2. Salary, wages and other benefits	1,627,452	977,573	21,844,132		24,449,157
3. Commissions (less \$ ceded plus \$ assumed)					0
4. Legal fees and expenses					0
5. Certifications and accreditation fees					0
6. Auditing, actuarial and other consulting services	11,099		1,591,219		1,602,318
7. Traveling expenses		11,573	186,021		197,594
8. Marketing and advertising	7,191		1,821,422		1,828,613
9. Postage, express and telephone		71,307	815,368		886,675
10. Printing and office supplies		254,094	1,734,586		1,988,680
11. Occupancy, depreciation and amortization			1,145,541		1,145,541
12. Equipment		2,737	1,744,961		1,747,698
13. Cost or depreciation of EDP equipment and software			289,140		289,140
14. Outsourced services including EDP, claims, and other services	16,262	9,845	2,298,052		2,324,159
15. Boards, bureaus and association fees		63,752	217,218		280,970
16. Insurance, except on real estate					0
17. Collection and bank service charges			56,371		56,371
18. Group service and administration fees					0
19. Reimbursements by uninsured accident and health plans					0
20. Reimbursements from fiscal intermediaries					0
21. Real estate expenses					0
22. Real estate taxes					0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					0
23.2 State premium taxes					0
23.3 Regulatory authority licenses and fees					0
23.4 Payroll taxes					0
23.5 Other (excluding federal income and real estate taxes)					0
24. Investment expenses not included elsewhere				80,307	80,307
25. Aggregate write-ins for expenses	0	0	(6,079,190)	0	(6,079,190)
26. Total expenses incurred (Lines 1 to 25)	1,662,004	1,390,881	30,811,458	80,307	(a) 33,944,650
27. Less expenses unpaid December 31, current year ..			4,060,812		4,060,812
28. Add expenses unpaid December 31, prior year			3,778,673		3,778,673
29. Amounts receivable relating to uninsured accident and health plans, prior year					0
30. Amounts receivable relating to uninsured accident and health plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	1,662,004	1,390,881	30,529,319	80,307	33,662,511
DETAILS OF WRITE-INS					
2501. Expenses allocated under managment agreements			(6,079,190)		(6,079,190)
2502.					
2503.					
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	0	0	(6,079,190)	0	(6,079,190)

(a) Includes management fees of \$ to affiliates and \$ to non-affiliates.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds	(a) .....36,154	.....33,816
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) .....161,586	.....161,586
1.3	Bonds of affiliates	(a)	
2.1	Preferred stocks (unaffiliated)	(b)	
2.11	Preferred stocks of affiliates	(b)	
2.2	Common stocks (unaffiliated) .....	.....1,369,236	.....1,369,236
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c)	
4.	Real estate	(d)	
5.	Contract Loans		
6.	Cash, cash equivalents and short-term investments	(e) .....2,794,998	.....2,625,509
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income .....	.....0	.....0
10.	Total gross investment income	4,361,974	4,190,147
11.	Investment expenses		(g) .....0
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g) .....80,307
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i)
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....80,307
17.	Net investment income (Line 10 minus Line 16)		4,109,840
DETAILS OF WRITE-INS			
0901.	.....	
0902.	.....	
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....	.....0	.....0
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 thru 1303 plus 1598) (Line 15, above) .....		.....0

- (a) Includes \$329 accrual of discount less \$2,809 amortization of premium and less \$ paid for accrued interest on purchases.
- (b) Includes \$0 accrual of discount less \$ amortization of premium and less \$ paid for accrued dividends on purchases.
- (c) Includes \$ accrual of discount less \$ amortization of premium and less \$ paid for accrued interest on purchases.
- (d) Includes \$ for company's occupancy of its own buildings; and excludes \$ interest on encumbrances.
- (e) Includes \$69,979 accrual of discount less \$(431,010) amortization of premium and less \$(221,835) paid for accrued interest on purchases.
- (f) Includes \$ accrual of discount less \$ amortization of premium.
- (g) Includes \$.80,307 investment expenses and \$80,307 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ interest on surplus notes and \$ interest on capital notes.
- (i) Includes \$ depreciation on real estate and \$ depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds .....		.....67,821		.....67,821
1.1	Bonds exempt from U.S. tax .....				.....0
1.2	Other bonds (unaffiliated) .....	.....(321,236)		.....206,163	.....(115,073)
1.3	Bonds of affiliates .....				.....0
2.1	Preferred stocks (unaffiliated) .....				.....0
2.11	Preferred stocks of affiliates .....				.....0
2.2	Common stocks (unaffiliated) .....		.....529,713	.....(152,550)	.....377,163
2.21	Common stocks of affiliates .....			.....2,953,192	.....2,953,192
3.	Mortgage loans .....				.....0
4.	Real estate .....				.....0
5.	Contract Loans .....				.....0
6.	Cash, cash equivalents and short-term investments .....	.....(15,724)			.....(15,724)
7.	Derivative instruments .....				.....0
8.	Other invested assets .....			.....(21,759)	.....(21,759)
9.	Aggregate write-ins for capital gains (losses) .....	.....0	.....0	.....0	.....0
10.	Total capital gains (losses) .....	.....(336,960)	.....597,534	.....2,985,046	.....3,245,620
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0	.....0	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above) .....	.....0	.....0	.....0	.....0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			0
2. Stocks (Schedule D):			
2.1 Preferred stocks			0
2.2 Common stocks			0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			0
3.2 Other than first liens			0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			0
4.2 Properties held for the production of income			0
4.3 Properties held for sale			0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA)			0
6. Contract loans			0
7. Other invested assets (Schedule BA)			0
8. Receivables for securities			0
9. Aggregate write-ins for invested assets	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9)	0	0	0
11. Title plants (for Title insurers only)			0
12. Investment income due and accrued			0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection	59,026	50,661	(8,365)
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			0
13.3 Accrued retrospective premiums			0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			0
14.2 Funds held by or deposited with reinsured companies			0
14.3 Other amounts receivable under reinsurance contracts			0
15. Amounts receivable relating to uninsured plans			0
16.1 Current federal and foreign income tax recoverable and interest thereon			0
16.2 Net deferred tax asset			0
17. Guaranty funds receivable or on deposit			0
18. Electronic data processing equipment and software	3,739,740	722,833	(3,016,907)
19. Furniture and equipment, including health care delivery assets	253,839	334,949	81,110
20. Net adjustment in assets and liabilities due to foreign exchange rates			0
21. Receivable from parent, subsidiaries and affiliates			0
22. Health care and other amounts receivable			0
23. Aggregate write-ins for other than invested assets	6,429,365	4,058,562	(2,370,803)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	10,481,970	5,167,005	(5,314,965)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0
26. Total (Lines 24 and 25)	10,481,970	5,167,005	(5,314,965)
DETAILS OF WRITE-INS			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 9 from overflow page	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998)(Line 9 above)	0	0	0
2301. Improvements in Progress		60,861	60,861
2302. Leasehold improvements	636,741	856,057	219,316
2303. Prepaid Expenses	5,792,624	3,141,644	(2,650,980)
2398. Summary of remaining write-ins for Line 23 from overflow page	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398)(Line 23 above)	6,429,365	4,058,562	(2,370,803)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations	159,523	163,382	161,218	161,156	162,459	1,947,923
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service	23,832	19,340	18,290	18,032	18,423	224,561
5. Indemnity Only						
6. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0
7. Total	183,355	182,722	179,508	179,188	180,882	2,172,484
DETAILS OF WRITE-INS						
0601.	0					
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

THE UNIVERSITY OF MICHIGAN
M-CARE

Notes to Statutory Filing
December 31, 2005 and 2004

Note 1—Operations and Summary of Significant Accounting Policies

Organization and Basis of Presentation: The Regents of The University of Michigan (the “University”) have the ultimate responsibility for M-CARE (the “Corporation”) and its wholly-owned subsidiaries, M-CAID and Michigan Health Insurance Company (“MHIC”). The Corporation uses the equity method and reports subsidiaries at their respective statutory equity amount. As part of the University, the financial statements of the Corporation are included in the University’s combined financial statements.

M-CARE and M-CAID are tax-exempt under the provisions of section 501(c)(4) of the Internal Revenue Code. M-CARE was formed as a nonprofit health maintenance organization (“HMO”) in 1986 by the University to offer managed healthcare services to the employees of the University and other employers in Southeast Michigan. M-CAID was formed in 2003 to separate Medicaid HMO operations and financing from M-CARE. MHIC was formed on February 20, 2004 for the purpose of expanding the Corporation’s product lines to include insured and self funded preferred provider organization (“PPO”) products. As a commercial health insurance carrier, MHIC does not qualify for tax exemption and is subject to income taxes. Sales of the PPO product began in April 2004. The Corporation is regulated and licensed by the National Association of Insurance Commissioners and the State of Michigan Office of Financial and Insurance Services (“OFIS”), and must submit periodic filings to both entities under rules promulgated by the State of Michigan. MHIC and M-CAID are reported on the equity method.

The Corporation arranges for healthcare services to be provided through the University of Michigan Health System (the “UMHS”) and a comprehensive network of community hospitals, physicians, and other healthcare providers. The Corporation is a wholly-owned subsidiary of the University and is one of four University units that together comprise the UMHS. Along with the Corporation, the UMHS includes the University of Michigan Hospitals and Health Centers, the University of Michigan Medical School, and Michigan Health Corporation.

Summary of Significant Accounting Practices: The financial statements have been prepared in accordance with the National Association of Insurance Commissioners’ (NAIC) *Accounting Practices and Procedures* manual except to the extent that the laws of the State of Michigan differ. The State of Michigan adopted codification guidance effective January 1, 2003 with order number 05-056-M, which allows entities to transition into codification if there is a significant financial impact. The Corporation was not impacted significantly by adopting codification and adopted it in full in January 1, 2003. Therefore, there are no significant differences between NAIC statutory accounting practices and the laws of the State of Michigan in the Corporation’s financial statements.

Use of Estimates: The preparation of financial statements in conformity with the *Annual Statement Instructions* and *Accounting Practices and Procedures Manual* requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Policy: Premium revenues are recognized as revenue in the period in which the member is entitled to service. Premiums collected prior to the effective date of coverage are classified as unearned subscription income. The Corporation contracts with various health care providers for the provision of medical care services to its subscribers. The Corporation compensates providers under capitation and fee-for-service arrangements. Expenses for health care services are accrued as they are rendered, including an estimate of claims unpaid.

In addition, the Corporation uses the following accounting policies:

Cash and Short-Term Investments: Cash and short-term investments include investments with maturities of less than one year at the date of acquisition. Short term investments are stated at amortized cost.

Investments: Bonds are stated at amortized cost using the effective yield method.

Investments in marketable securities are carried at fair value, the amount for which a marketable security may be bought or sold in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is reflected in the quoted market prices provided by organized securities exchanges and markets.

Realized gains and losses are recognized in operations at the date of sale. A realized gain or loss represents the difference between the net sale proceeds received on the sale of a security and the security's historical cost. If the investment security is a bond, historical cost is the amount paid at acquisition adjusted by accumulated bond amortization or accretion.

The Corporation uses the equity method to report investments in affiliates and reports subsidiaries at their respective statutory equity amount.

Equipment and Improvements: Equipment and improvements are stated at cost. Depreciation of furniture and equipment and amortization of improvements are calculated on the straight-line basis over the estimated useful lives of the assets.

Trust Accounts: As a condition of licensure with the State of Michigan, the Corporation has a statutory trust to maintain restricted funds for the sole benefit of the Corporation's members in the case of insolvency. These funds, which can be used only at the direction of the Insurance Commissioner in accordance with statutory provisions, are invested with JPMorgan Institutional Trust Services. Interest earned on these funds accrue to, and can be utilized by, the Corporation. As of December 31, 2005 and 2004, the Corporation had reached the required maximum balance of \$1,000,000.

Health Liability: Claims unpaid, accrued medical incentive pool, and unpaid claims adjustment expenses represent management's best estimate of ultimate costs of all reported and unreported claims incurred through December 31. The liability for claims unpaid and unpaid adjustment expenses are estimated using individual case-basis valuations, statistical analyses and prior experience adjusted for current trends. Those estimates are subject to the effects of trends in cost and utilization of health care services. Although considerable variability is inherent in such estimates, management believes

that the liability for claims unpaid and unpaid adjustment expenses is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Note 2 – Accounting Changes and Corrections of Errors

There were no accounting changes or corrections of errors during 2005. At December 31, 2004, the valuation of the investments was changed to amortized cost from fair value resulting in a change in accounting principle of \$9,000.

Note 3 – Business Combinations and Goodwill

This note does not apply to the Corporation in this period.

Note 4 – Discontinued Operations

This note does not apply to the Corporation in this period.

Note 5 – Investments

The Corporation had no investments in mortgage loans, debt restructuring, reverse mortgages, loan-backed securities, repurchase agreements, or real estate at December 31, 2005 and 2004.

Note 6 – Joint Ventures, Partnerships and Limited Liability Companies

The Corporation had no investments in Joint Ventures, Partnerships or Limited Liability Companies at December 31, 2005 and 2004.

Note 7 – Investment Income

No amount of investment income receivable was excluded.

Note 8 – Derivative Instruments

This note does not apply to the Corporation in this period.

Note 9 – Income Taxes

The Corporation is a not-for-profit 501(C)(4) corporation, and is not subject to federal, state, or local income taxes.

Note 10 – Information Concerning Parent, Subsidiaries and Affiliates

Subscription premiums of approximately \$128,332,000 in 2005 and \$126,699,000 in 2004 were derived through group contracts with the University.

Health care expenses of \$232,116,000 in 2005 and \$221,616,000 in 2004 were incurred for services received by the Corporation's subscribers as a result of contractual arrangements with the University of Michigan Hospitals and Health Centers and Faculty Group Practice. As a result of the health care

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

expense transactions, the corresponding amounts due to the University at December 31, 2005 and 2004 were \$5,045,000 and \$14,078,000, respectively.

The Corporation's staff are employees of the University. The Corporation reimburses the University for payroll, fringe benefits, payroll taxes and payroll processing costs amounting to \$24,449,000 and \$24,556,000 in 2005 and 2004, respectively. The Corporation contracts with the University to provide certain administrative duties. Under this agreement, the Corporation incurred expenses of \$891,000 and \$835,000 in 2005 and 2004, respectively.

During 2004, the Corporation invested \$10,000,000 in Michigan Health Insurance Company ("MHIC") and is the sole shareholder. This for-profit entity was formed for the purpose of expanding the Corporation's product lines to include insured and self funded PPO products. Sales of the PPO product began in April 2004. MHIC files a separate statutory report and its asset's value is stated at MHIC's statutory capital and surplus balance, and is recorded in common stocks. During 2005, the Corporation transferred an additional \$7,000,000 to cover MHIC's costs related to an extremely high-dollar case.

The Corporation has an agreement with MHIC and M-CAID to provide administrative services. As a result, MHIC and M-CAID paid \$ 3,574,000 and \$2,855,000 respectively, for the year ended December 31, 2005 and \$997,000 and \$2,690,000 respectively, for the year ended December 31, 2004.

Note 11 – Debt: Surplus Note Payable

The surplus note payable to the University was issued on May 22, 1986 at \$5,000,000, with a balance at December 31, 2005 of \$2,831,000. Principal and interest payments are subject to approval by the Corporation's Board of Directors and the OFIS and are subordinate to the payment of administrative and health care costs. Interest is computed annually based on the lesser of 7.0 percent or the interest yield on long-term Treasury Notes at December 31, each year. Interest rates ranged from 4.0 percent to 4.5 percent for 2005 and 3.8 percent to 4.7 percent for 2004. Accumulated interest payable to the University on the note payable totaled \$268,000 and \$133,000 at December 31, 2005 and 2004, respectively, and is not reported for statutory purposes. Principal payments of \$1,000,000 and \$500,000 were made on the subordinated note in 2005 and 2004, respectively. Interest payments totaling \$411,000 were paid in 2004, none in 2005.

The Corporation does not have any reverse repurchase agreements.

Note 12 – Retirement Plan, Postemployment Benefits

The Corporation's staff participates in the University retirement plan, a defined contribution retirement plan through the Teachers Insurance and Annuity Association College Retirement Equities Fund ("TIAA-CREF"), and Fidelity Management Trust Company ("FMTC") for all qualified employees. All primary staff are eligible to participate in the plan of their choice based on age and service requirements. Participants maintain individual annuity contracts with TIAA-CREF or accounts with FMTC, and are fully vested. Eligible employees generally contribute 5 percent of their pay and the University generally contributes an amount equal to 10 percent of employees' pay to the plan. Participants may elect to contribute additional amounts to the plan within specified limits, which are not matched by University contributions.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

Contributions in connection with the plan (excluding participants' additional contributions) and certain payroll costs for the years ended December 31, 2005 and 2004 are summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Corporation contributions	\$ 1,771	\$ 1,693
Employee contributions	\$ 872	\$ 834
Payroll covered under plan	\$ 18,621	\$ 18,337
Total payroll	\$ 19,048	\$ 18,919

In addition to providing retirement income benefits, the University and the Corporation provide certain health care and other post-employment benefits for retired employees. Substantially all of the University's employees may become eligible for those benefits if they reach retirement age while working for the University. The University and the Corporation recognize the cost of providing these benefits on a pay-as-you-go basis. Corporation's allocated portion of this cost, which is included in operating expenses, totaled approximately \$296,000 and \$348,000 for the years ended December 31, 2005 and 2004, respectively.

Certain organizations are required to record the estimated present value of post-retirement benefits as a liability in their financial statements. The University and the Corporation are not required to do so at this time. Based on current actuarial assumptions and the presuming a continuation of the current level of benefits, the allocated value of those benefits for the Corporation is estimated at \$10,929,000 as of December 31, 2005.

Note 13 – Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

The Corporation is wholly owned by the University. There are no shares of stock authorized or issued. The Corporation owns 10,000 shares of common stock of MHIC a wholly owned subsidiary.

There were no restrictions placed on the Corporation's unassigned funds (surplus). The Corporation has a surplus note payable, which is discussed in Note 11.

The portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

Unrealized gains and losses:	\$2,985,000
Nonadmitted assets:	(\$5,315,000)
Separate account business:	\$0
Asset valuation reserves:	\$0
Reinsurance in unauthorized companies:	\$0

The Corporation has not been involved in a quasi-reorganization during 2005 or 2004.

Note 14 – Contingencies

This note does not apply to the Corporation in this period. The Corporation has no assets that it considers to be impaired.

Note 15 – Leases

Total rental expense for operating leases for office space was \$3,146,000 in 2005 and \$3,065,000 in 2004. The future minimum rental payments at December 31, 2005, required in connection with operating leases that have initial or remaining non-cancelable terms in excess of one year, are as follows (in thousands):

2006	\$ 3,303
2007	3,300
2008	2,397
2009	1,565
Thereafter	<u>1,434</u>
	<u>\$ 11,999</u>

Note 16 – Financial Instruments with Off - Balance Sheet Risk

The Corporation minimizes concentration of credit risk, the risk of a large loss attributed to the magnitude of the investment in a single issuer of fixed income securities, by diversifying its fixed income issues and issuers and holding U.S. Treasury securities which are considered to have no credit risk. The Corporation also manages this risk at the account level by limiting each fixed income manager's holding of any non-U.S. government issuer to 5 percent of the value of the investment account.

Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

This note does not apply to the Corporation in this period.

Note 18 – Gain or Loss from Uninsured Plans

This note does not apply to the Corporation in this period.

Note 19 – Direct Premium Written / Produced by Managing General Agents / Third Party Administrators

This note does not apply to the Corporation in this period.

Note 20 – September 11 Events

This note does not apply to the Corporation in this period.

Note 21 – Other Items

This note does not apply to the Corporation in this period.

Note 22 – Events Subsequent

This note does not apply to the Corporation in this period.

Note 23 – Reinsurance

A. Ceded Reinsurance Report

Section 1 – General Interrogatories

- (1) Are any of the reinsurers, listed in Schedule S as non-affiliated, owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee, or director of the company?

Yes ()

No (X)

If yes, give full details.

- (2) Have any policies issued by the Corporation been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business?

Yes ()

No (X)

If yes, give full details.

Section 2 – Ceded Reinsurance Report – Part A

- (1) Does the Corporation have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit?

Yes ()

No (X)

- a. a. If yes, what is the estimated amount of the aggregate reduction in surplus of a unilateral cancellation by the reinsurer as of the date of this statement, for those agreements in which cancellation results in a net obligation of the reporting entity to the reinsurer, and for which such obligation is not presently accrued? Where necessary, the reporting entity may consider the current or anticipated experience of the business reinsured in making this estimate \$N/A.

- b. b. What is the total amount of reinsurance credits taken, whether as an asset or as a reduction of liability for these agreements in this statement?
\$N/A.

- (2) Does the reporting entity have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies?

Yes ()

No (X)

If yes, give full details.

Section 3 – Ceded Reinsurance Report – Part B

- (1) What is the estimated amount of the aggregate reduction in surplus, (for agreements other than those under which the reinsurer may unilaterally cancel for reasons other than for nonpayment of payment or other similar credits that are reflected in Section 2 above) of termination of ALL reinsurance agreements, by either party, as of the date of this statement? Where necessary, the Corporation may consider the current or anticipated experience of the business reinsured in making this estimate. \$0.
- (2) Have any new agreements been executed or existing agreements amended, since January 1 of the year of this statement, to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement?
 Yes ()
 No (X)

If yes, what is the amount of reinsurance credits, whether an asset or a reduction of liability, taken for such new agreements or amendments? \$N/A

Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination

The Corporation had an immaterial amount of accrued retrospective premium adjustments. In 2005 and 2004, the amount of premiums earned by the Corporation that were subject to retrospective rating was \$20,635,000 and \$19,512,000, which represented 4% of total premium revenues for both years. Such amounts represent premiums earned from the Federal Employee Health Benefit Plan.

Note 25 – Change in Incurred Claims and Claim Adjustment Expenses

Changes in accrued health care expenses for the years ended December 31, 2004 and 2003 are summarized as follows:

	<u>2005</u>	<u>2004</u>
	(in thousands)	
Accrued health care expenses, beginning of year	\$ 57,942	\$ 69,135
Incurred related to:		
Current year	420,224	406,458
Prior years	<u>(2,442)</u>	<u>(8,709)</u>
Total incurred	<u>417,782</u>	<u>397,749</u>
Paid related to:		
Current year	(377,103)	(354,599)
Prior years	<u>(51,860)</u>	<u>(54,343)</u>
Total paid	<u>(428,963)</u>	<u>(408,942)</u>
Accrued health care expenses, end of year	<u>\$ 46,761</u>	<u>\$ 57,942</u>

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

The liability for accrued health care expenses includes the Corporation's estimate of the total remaining liability for reported and unreported claims. The method of making such estimates and for establishing the resultant reserves is continually reviewed and updated, and any adjustments resulting there from are reflected in expense currently. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. The 2005 and 2004 health care services expenses include the impact of favorable changes in previous years' incurred but not reported estimates of \$2,442,000 and \$8,709,000, respectively.

Note 26 – Intercompany Pooling Arrangements

This note does not apply to the Corporation in this period.

Note 27 – Structured Settlements

This note does not apply to the Corporation in this period.

Note 28 – Health Care Receivables

As all pharmaceutical rebates are received by the Corporation more than 180 days after billing, no receivables are recorded. Schedule is reported in thousands.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2005	\$710	\$0	\$0	\$0	\$710
9/30/2005	397	0	0	0	397
6/30/2005	707	0	0	0	707
3/30/2005	926	0	0	0	926
12/31/2004	\$746	\$0	\$0	\$0	\$746
9/30/2004	1,242	0	0	0	1,242
6/30/2004	0	0	0	0	0
3/30/2004	738	0	0	0	738
12/31/2003	998	0	0	0	998
9/30/2003	704	0	0	0	704
6/30/2003	459	0	0	0	459
3/31/2003	621	0	0	0	621

Note 29 – Participating Policies

This note does not apply to the Corporation in this period.

Note 30 – Premium Deficiency Reserves

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

This note does not apply to the Corporation in this period.

Note 31 – Anticipated Salvage and Subrogation

This note does not apply to the Corporation in this period.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. Treasury securities	1,143,723	0.945	1,143,723	0.945
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies		0.000		0.000
1.22 Issued by U.S. government sponsored agencies		0.000		0.000
1.3 Foreign government (including Canada, excluding mortgaged-backed securities)		0.000		0.000
1.4 Securities issued by states, territories, and possessions and political subdivisions in the U.S. :				
1.41 States, territories and possessions general obligations		0.000		0.000
1.42 Political subdivisions of states, territories and possessions and political subdivisions general obligations		0.000		0.000
1.43 Revenue and assessment obligations		0.000		0.000
1.44 Industrial development and similar obligations		0.000		0.000
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA		0.000		0.000
1.512 Issued or guaranteed by FNMA and FHLMC		0.000		0.000
1.513 All other		0.000		0.000
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA		0.000		0.000
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521		0.000		0.000
1.523 All other		0.000		0.000
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)		0.000		0.000
2.2 Unaffiliated foreign securities		0.000		0.000
2.3 Affiliated securities		0.000		0.000
3. Equity interests:				
3.1 Investments in mutual funds	41,773,383	34.499	41,773,383	34.499
3.2 Preferred stocks:				
3.21 Affiliated		0.000		0.000
3.22 Unaffiliated		0.000		0.000
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated		0.000		0.000
3.32 Unaffiliated		0.000		0.000
3.4 Other equity securities:				
3.41 Affiliated	12,580,801	10.390	12,580,801	10.390
3.42 Unaffiliated		0.000		0.000
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated		0.000		0.000
3.52 Unaffiliated		0.000		0.000
4. Mortgage loans:				
4.1 Construction and land development		0.000		0.000
4.2 Agricultural		0.000		0.000
4.3 Single family residential properties		0.000		0.000
4.4 Multifamily residential properties		0.000		0.000
4.5 Commercial loans		0.000		0.000
4.6 Mezzanine real estate loans		0.000		0.000
5. Real estate investments:				
5.1 Property occupied by the company		0.000		0.000
5.2 Property held for the production of income (including \$ of property acquired in satisfaction of debt)		0.000		0.000
5.3 Property held for sale (including \$ property acquired in satisfaction of debt)		0.000		0.000
6. Contract loans		0.000		0.000
7. Receivables for securities		0.000	0	0.000
8. Cash, cash equivalents and short-term investments	63,551,281	52.484	63,551,281	52.484
9. Other invested assets	2,036,712	1.682	2,036,712	1.682
10. Total invested assets	121,085,900	100.000	121,085,900	100.000

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [X] No []

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [X] No [] N/A []

1.3

State Regulating?

Michigan

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [] No [X]

2.2

If yes, date of change:

If not previously filed, furnish herewith a certified copy of the instrument as amended.

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/30/2005

3.4

By what department or departments?

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

4.12 renewals?

Yes [] No [X]

Yes [] No [X]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

4.22 renewals?

Yes [] No [X]

Yes [] No [X]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [] No [X]

5.2

If yes, provide name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.)

Yes [] No [X]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [] No [X]

7.2

If yes,

7.21 State the percentage of foreign control;

7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

%

1	2
Nationality	Type of Entity

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

GENERAL INTERROGATORIES

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 OTS	6 FDIC	7 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Price Waterhouse Coopers, LLP 400 Renaissance Center, Detroit, MI 48243
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Martin E. Staehlin, FSA, MAAA, Consulting Actuary c/o PricewaterhouseCoopers, LLP One North Wacker, Chicago, IL 60606
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value\$
- 11.2 If, yes provide explanation:
.....
12. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [] No [X]
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [] No [X]
14. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [] No [X]
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes [X] No []

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.11 To directors or other officers.....\$
- 16.12 To stockholders not officers.....\$
- 16.13 Trustees, supreme or grand (Fraternal Only)\$
- 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 16.21 To directors or other officers.....\$
- 16.22 To stockholders not officers.....\$
- 16.23 Trustees, supreme or grand (Fraternal Only)\$
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in this statement? Yes [] No [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
- 17.21 Rented from others.....\$
- 17.22 Borrowed from others.....\$
- 17.23 Leased from others\$
- 17.24 Other\$
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 18.2 If answer is yes,
- 18.21 Amount paid as losses or risk adjustment \$
- 18.22 Amount paid as expenses\$
- 18.23 Other amounts paid\$
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount?\$341,866

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

GENERAL INTERROGATORIES

INVESTMENT

20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes [X] No []

20.2 If no, give full and complete information relating thereto:

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on the Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1). Yes [] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others\$

21.22 Subject to repurchase agreements\$

21.23 Subject to reverse repurchase agreements\$

21.24 Subject to dollar repurchase agreements\$

21.25 Subject to reverse dollar repurchase agreements\$

21.26 Pledged as collateral\$

21.27 Placed under option agreements\$

21.28 Letter stock or other securities restricted as to sale ...\$

21.29 Other\$

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

23.2 If yes, state the amount thereof at December 31 of the current year.\$

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

GENERAL INTERROGATORIES

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Nature of Custodian(s)	2 Custodian's Address
Mellon Bank	135 Santilli Hwy ., Everett, MA 02149
.....

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
.....

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year?

Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....
.....

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....
.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)]?

Yes [X] No []

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
140193-10-3	American Funds CIB	41,773,383
25.2999 - Total		41,773,383

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
American Funds CIB	E.ON AG	515,066	12/31/2005
American Funds CIB	Altria Group	457,836	12/31/2005
American Funds CIB	AT&T	429,222	12/31/2005
American Funds CIB	Royal Dutch Shell	371,992	12/31/2005
American Funds CIB	BellSouth	314,762	12/31/2005

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

GENERAL INTERROGATORIES

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds	68,122,836	68,061,134	(61,702)
26.2 Preferred stocks			0
26.3 Totals	68,122,836	68,061,134	(61,702)

26.4 Describe the sources or methods utilized in determining the fair values:
Fair values are provided by Mellon Bank via detailed investment reports received.

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?\$

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	
.....	

29.1 Amount of payments for legal expenses, if any?\$

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	
.....	

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?\$

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
.....	
.....	
.....	

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2

If yes, indicate premium earned on U. S. business only

\$

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$

1.62

Total incurred claims

\$

1.63

Number of covered lives

.....

All years prior to most current three years

1.64

Total premium earned

\$

1.65

Total incurred claims

\$

1.66

Number of covered lives

.....

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$

1.72

Total incurred claims

\$

1.73

Number of covered lives

.....

All years prior to most current three years

1.74

Total premium earned

\$

1.75

Total incurred claims

\$

1.76

Number of covered lives

.....

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

462,248,418

438,578,950

2.2

Premium Denominator

462,248,418

438,578,950

2.3

Premium Ratio (2.1/2.2)

1.000

1.000

2.4

Reserve Numerator

46,761,156

57,942,421

2.5

Reserve Denominator

45,852,323

56,829,101

2.6

Reserve Ratio (2.4/2.5)

1.020

1.020

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2

If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No [X]

5.1

Does the reporting entity have stop-loss reinsurance?

Yes [X] No []

5.2

If no, explain

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$

300,000

5.32

Medical Only

\$

5.33

Medicare Supplement

\$

5.34

Dental

\$

5.35

Other Limited Benefit Plan

\$

5.36

Other

\$

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

M-Care has a insolvency arrangement with Allianz Life Insurance Company for insolvency protection.

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?.....

Yes [X] No []

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

5,575

8.2

Number of providers at end of reporting year

5,553

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes [] No [X]

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months..\$.....

9.22

Business with rate guarantees over 36 months

\$

28

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

GENERAL INTERROGATORIES

10.1

Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes ☒ No ☐

10.2

If yes:

10.21

Maximum amount payable bonuses.....

\$

10.22

Amount actually paid for year bonuses.....

\$10,843,572

10.23

Maximum amount payable withholds.....

\$

10.24

Amount actually paid for year withholds.....

\$

11.1

Is the reporting entitiy organized as:

11.12

A Medical Group/Staff Model,

Yes ☐ No ☒

11.13

An Individual Practice Association (IPA), or, .

Yes ☐ No ☒

11.14

A Mixed Model (combination of above)?

Yes ☐ No ☒

11.2

Is the reporting entity subject to Minimum Net Worth Requirements?

Yes ☒ No ☐

11.3

If yes, show the name of the state requiring such net worth

Michigan

11.4

If yes, show the amount required

\$18,489,937

11.5

Is this amount included as part of a contingency reserve in stockholder's equity?

Yes ☐ No ☒

11.6

If the amount is calculated, show the calculation

4% of revenue 462,248,418 x 4% = 18,489,937

12.

List service areas in which reporting entity is licensed to operate:

1
Name of Service Area
Genesee, Macomb, Oakland, Livingston, Washtenaw, Wayne, Lapeer (Partial), St. Clair (Partial), Ingham (Partial), Jackson (Partial) Monroe (Partial)
.....
.....

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	126,299,613	131,555,583	133,443,620	136,287,718	131,567,742
2. Total liabilities (Page 3, Line 22)	59,164,896	69,064,103	81,956,208	94,700,372	90,876,641
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 31)	67,134,717	62,491,480	51,487,412	41,546,093	40,691,101
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	462,248,418	438,578,950	458,020,490	488,681,852	488,779,461
6. Total medical and hospital expenses (Line 18)	417,781,330	397,749,449	415,873,023	451,402,456	446,614,852
7. Claims adjustment expenses (Line 20)	3,052,885	2,817,198	0	0	
8. Total administrative expenses (Line 21)	30,811,458	29,806,530	33,683,203	35,420,712	36,799,929
9. Net underwriting gain (loss) (Line 24)	10,602,745	8,205,773	8,464,264	1,858,684	5,364,680
10. Net investment gain (loss) (Line 27)	4,370,414	2,566,652	2,056,967	3,360,869	5,017,989
11. Total other income (Lines 28 plus 29)	0	(411,205)	(1,343,000)	(886,000)	0
12. Net income or (loss) (Line 32)	14,973,159	10,361,220	9,178,231	4,333,553	10,382,669
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	67,134,717	62,491,480	51,487,412	41,546,093	40,691,101
14. Authorized control level risk-based capital	16,283,283	13,728,787	12,490,127	13,721,645	13,660,935
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	180,882	183,355	191,548	205,170	197,721
16. Total members months (Column 6, Line 7)	2,172,484	2,191,203	2,310,920	2,426,305	2,353,728
OPERATING PERCENTAGE (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	90.4	90.7	90.8	92.4	91.4
19. Cost containment expenses	0.4	0.4	XXX	XXX	XXX
20. Other claims adjustment expenses	0.3	0.3	0.0	0.0	
21. Total underwriting deductions (Line 23)	97.7	98.1	98.2	99.6	98.9
22. Total underwriting gain (loss) (Line 24)	2.3	1.9	1.8	0.4	1.1
UNPAID CLAIMS ANALYSIS (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Col. 5)	55,500,089	60,425,885	68,847,080	58,506,923	54,582,253
24. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	57,942,421	69,134,789	80,318,547	73,867,399	64,996,566
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1)	0	0	0	0	0
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)		0	0	0	0
27. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)	12,580,801	9,627,609	0	0	0
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)	0	0	0	0	0
29. Affiliated mortgage loans on real estate					
30. All other affiliated	2,036,712	2,058,471	0	0	0
31. Total of above Lines 25 to 30	14,617,513	11,686,080	0	0	0

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year		1	2	3	4
Description		Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value of Bonds
BONDS Governments (Including all obligations guaranteed by governments)	1. United States	1,143,724	1,139,527	1,144,401	1,140,789
	2. Canada				
	3. Other Countries				
	4. Totals	1,143,724	1,139,527	1,144,401	1,140,789
States, Territories and Possessions (Direct and guaranteed)	5. United States				
	6. Canada				
	7. Other Countries				
	8. Totals	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States				
	10. Canada				
	11. Other Countries				
	12. Totals	0	0	0	0
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions	13. United States				
	14. Canada				
	15. Other Countries				
	16. Totals	0	0	0	0
Public Utilities (unaffiliated)	17. United States				
	18. Canada				
	19. Other Countries				
	20. Totals	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated)	21. United States				
	22. Canada				
	23. Other Countries				
	24. Totals	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals	0	0	0	0
	26. Total Bonds	1,143,724	1,139,527	1,144,401	1,140,789
PREFERRED STOCKS Public Utilities (unaffiliated)	27. United States				
	28. Canada				
	29. Other Countries				
	30. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	31. United States				
	32. Canada				
	33. Other Countries				
	34. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	35. United States				
	36. Canada				
	37. Other Countries				
	38. Totals	0	0	0	
Parent, Subsidiaries and Affiliates	39. Totals				
	40. Total Preferred Stocks	0	0	0	
COMMON STOCKS Public Utilities (unaffiliated)	41. United States				
	42. Canada				
	43. Other Countries				
	44. Totals	0	0	0	
Banks, Trust and Insurance Companies (unaffiliated)	45. United States				
	46. Canada				
	47. Other Countries				
	48. Totals	0	0	0	
Industrial and Miscellaneous (unaffiliated)	49. United States	41,773,385	41,773,385	39,932,869	
	50. Canada				
	51. Other Countries				
	52. Totals	41,773,385	41,773,385	39,932,869	
Parent, Subsidiaries and Affiliates	53. Totals	12,580,801	12,580,801	10,000,000	
	54. Total Common Stocks	54,354,186	54,354,186	49,932,869	
	55. Total Stocks	54,354,186	54,354,186	49,932,869	
	56. Total Bonds and Stocks	55,497,910	55,493,713	51,077,270	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks	
1. Book/adjusted carrying value of bonds and stocks, prior year	49,520,883
2. Cost of bonds and stocks acquired, Col. 7, Part 3	13,227,819
3. Accrual of discount	329
4. Increase (decrease) by adjustment:	
4.1 Col. 12 - 14, Part 1	67,821
4.2 Col. 15 - 17, Part 2, Sec. 1	0
4.3 Col. 15, Part 2, Sec. 2	2,800,643
4.4 Col. 11 - 13, Part 4	206,163
5. Total gain (loss), Col. 19, Part 4	(321,236)
6. Deduct consideration for bonds and stocks disposed of Column 7, Part 4	10,001,703
7. Amortization of premium	2,809
8. Foreign Exchange Adjustment:	
8.1 Col. 15, Part 1	0
8.2 Col. 19, Part 2, Sec. 1	
8.3 Col. 16, Part 2, Sec. 2	0
8.4 Col. 15, Part 4	0
9. Book/adjusted carrying value at end of current period	55,497,910
10. Total valuation allowance	
11. Subtotal (Lines 9 plus 10)	55,497,910
12. Total nonadmitted amounts	0
13. Statement value of bonds and stocks, current period	55,497,910

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories								
States, etc.	1 Guaranty Fund (Yes or No)	2 Is Insurer Licensed? (Yes or No)	Direct Business Only					
			3 Accident and Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life and Annuity Premiums and Deposit-Type Contract Funds	8 Property/ Casualty Premiums
1. Alabama AL		NO						
2. Alaska AK		NO						
3. Arizona AZ		NO						
4. Arkansas AR		NO						
5. California CA		NO						
6. Colorado CO		NO						
7. Connecticut CT		NO						
8. Delaware DE		NO						
9. District of Columbia DC		NO						
10. Florida FL		NO						
11. Georgia GA		NO						
12. Hawaii HI		NO						
13. Idaho ID		NO						
14. Illinois IL		NO						
15. Indiana IN		NO						
16. Iowa IA		NO						
17. Kansas KS		NO						
18. Kentucky KY		NO						
19. Louisiana LA		NO						
20. Maine ME		NO						
21. Maryland MD		NO						
22. Massachusetts MA		NO						
23. Michigan MI		YES	442,067,262			20,634,989		
24. Minnesota MN		NO						
25. Mississippi MS		NO						
26. Missouri MO		NO						
27. Montana MT		NO						
28. Nebraska NE		NO						
29. Nevada NV		NO						
30. New Hampshire NH		NO						
31. New Jersey NJ		NO						
32. New Mexico NM		NO						
33. New York NY		NO						
34. North Carolina NC		NO						
35. North Dakota ND		NO						
36. Ohio OH		NO						
37. Oklahoma OK		NO						
38. Oregon OR		NO						
39. Pennsylvania PA		NO						
40. Rhode Island RI		NO						
41. South Carolina SC		NO						
42. South Dakota SD		NO						
43. Tennessee TN		NO						
44. Texas TX		NO						
45. Utah UT		NO						
46. Vermont VT		NO						
47. Virginia VA		NO						
48. Washington WA		NO						
49. West Virginia WV		NO						
50. Wisconsin WI		NO						
51. Wyoming WY		NO						
52. American Samoa AS		NO						
53. Guam GU		NO						
54. Puerto Rico PR		NO						
55. U.S. Virgin Islands VI		NO						
56. Canada CN		NO						
57. Aggregate Other Aliens OT	XXX	XXX	0	0	0	0	0	0
58. Subtotal	XXX	XXX	442,067,262	0	0	20,634,989	0	0
59. Reporting Entity Contributions for Employee Benefit Plans	XXX	XXX						
60. Total (Direct Business)	XXX	(a) 1	442,067,262	0	0	20,634,989	0	0
DETAILS OF WRITE-INS								
5701.	XXX	XXX						
5702.	XXX	XXX						
5703.	XXX	XXX						
5798. Summary of remaining write-ins for Line 57 from overflow page	XXX	XXX	0	0	0	0	0	0
5799. Totals (Lines 5701 thru 5703 plus 5798)(Line 57 above)	XXX	XXX	0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and Other Alien.

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

SCHEDULE T - PART 2

INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

		Direct Business Only					
		1	2	3	4	5	6
States, Etc.		Life (Group and Individual)	Annuities (Group and Individual)	Disability Income (Group and Individual)	Long-Term Care (Group and Individual)	Deposit-Type Contracts	Totals
1.	Alabama	AL					
2.	Alaska	AK					
3.	Arizona	AZ					
4.	Arkansas	AR					
5.	California	CA					
6.	Colorado	CO					
7.	Connecticut	CT					
8.	Delaware	DE					
9.	District of Columbia	DC					
10.	Florida	FL					
11.	Georgia	GA					
12.	Hawaii	HI					
13.	Idaho	ID					
14.	Illinois	IL					
15.	Indiana	IN					
16.	Iowa	IA					
17.	Kansas	KS					
18.	Kentucky	KY					
19.	Louisiana	LA					
20.	Maine	ME					
21.	Maryland	MD					
22.	Massachusetts	MA					
23.	Michigan	MI					
24.	Minnesota	MN					
25.	Mississippi	MS					
26.	Missouri	MO					
27.	Montana	MT					
28.	Nebraska	NE					
29.	Nevada	NV					
30.	New Hampshire	NH					
31.	New Jersey	NJ					
32.	New Mexico	NM					
33.	New York	NY					
34.	North Carolina	NC					
35.	North Dakota	ND					
36.	Ohio	OH					
37.	Oklahoma	OK					
38.	Oregon	OR					
39.	Pennsylvania	PA					
40.	Rhode Island	RI					
41.	South Carolina	SC					
42.	South Dakota	SD					
43.	Tennessee	TN					
44.	Texas	TX					
45.	Utah	UT					
46.	Vermont	VT					
47.	Virginia	VA					
48.	Washington	WA					
49.	West Virginia	WV					
50.	Wisconsin	WI					
51.	Wyoming	WY					
52.	American Samoa	AS					
53.	Guam	GU					
54.	Puerto Rico	PR					
55.	U.S. Virgin Islands	VI					
56.	Canada	CN					
57.	Aggregate Other Alien	OT					
58.	Total						

NONE

**The Regents of
The University of Michigan
(University of Michigan Health System)**

M-CARE

M-CAID

**Michigan Health
Insurance Company**

ANNUAL STATEMENT FOR THE YEAR 2005 OF THE MCARE

OVERFLOW PAGE FOR WRITE-INS